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AMOREPACIFIC CORP.

## AMOREPACIFIC Corporation 3Q 2014 Earnings Release

- 1 3QYTD 2014 Earnings Summary
- 2 3Q 2014 Earnings Summary
- 3 Domestic Business
  - 3-1 Cosmetics
  - 3-2 Mass & Sulloc
- 4 Overseas Business
- 5 Financial Summary

As a note, it is suggested to use this material only as a reference, as it contains information and data that are subject to changes without prior notice due to uncertainties, changes in the organizational structure, redefinition of accounting policies, etc., and may cause the actual results to differ from those stated or implied in this material.

AMOREPACIFIC Corp. has adopted the K-IFRS since 2011.

Sales up 21% to KRW 2,895.3bn, OP up 49% to KRW 474.5bn

### Sales & OP by Division

KRW bn

	3QYTD 2013	% of sales	3QYTD 2014	% of sales	YoY(%)
<b>Sales</b>	<b>2,395.6</b>	<b>100.0%</b>	<b>2,895.3</b>	<b>100.0%</b>	<b>20.9%</b>
Domestic	1,979.9	82.6%	2,316.8	80.0%	17.0%
Cosmetics	1,601.1	66.8%	1,947.6	67.3%	21.6%
Mass & Sulloc	378.8	15.8%	369.2	12.8%	-2.5%
Overseas	415.7	17.4%	578.5	20.0%	39.2%
	3QYTD 2013	OPM	3QYTD 2014	OPM	YoY(%)
<b>Operating Profit</b>	<b>319.1</b>	<b>13.3%</b>	<b>474.5</b>	<b>16.4%</b>	<b>48.7%</b>
Domestic	320.5	16.2%	434.1	18.7%	35.5%
Cosmetics	271.0	16.9%	394.7	20.3%	45.7%
Mass & Sulloc	49.5	13.1%	39.4	10.7%	-20.4%
Overseas	-1.3	-0.3%	40.4	7.0%	Turned to black
<b>Net Profit</b>	<b>229.6</b>	<b>9.6%</b>	<b>341.2</b>	<b>11.8%</b>	<b>48.6%</b>

\* 2013 3Q SG&A and OP adjusted due to the release of a new accounting standard on the recognition timing of the tax expense.

Sales up 26% to KRW 996.7bn, OP up 65% to KRW 147.7bn

### Sales & OP by Division

KRW bn

	2013 3Q	% of sales	2014 3Q	% of sales	YoY(%)
<b>Sales</b>	<b>792.8</b>	<b>100.0%</b>	<b>996.7</b>	<b>100.0%</b>	<b>25.7%</b>
Domestic	654.3	82.5%	801.0	80.4%	22.4%
Cosmetics	511.1	64.5%	665.4	66.8%	30.2%
Mass & Sulloc	143.2	18.1%	135.6	13.6%	-5.3%
Overseas	138.5	17.5%	195.7	19.6%	41.3%
	2013 3Q	OPM	2014 3Q	OPM	YoY(%)
<b>Operating Profit</b>	<b>89.4</b>	<b>11.3%</b>	<b>147.7</b>	<b>14.8%</b>	<b>65.2%</b>
Domestic	92.2	14.1%	132.8	16.6%	44.0%
Cosmetics	69.3	13.6%	118.8	17.9%	71.4%
Mass & Sulloc	22.9	-2.0%	14.0	10.3%	-38.9%
Overseas	-2.8	16.0%	14.9	7.6%	Turned to black
<b>Net Profit</b>	<b>65.6</b>	<b>8.3%</b>	<b>105.5</b>	<b>10.6%</b>	<b>60.8%</b>

\* 2013 3Q SG&A and OP adjusted due to the release of a new accounting standard on the recognition timing of the tax expense.

## Luxury

**Door-to-door : Turned to positive growth backed by continuous efforts to innovate**

- Posted positive sell-in and sell-through growth behind by improved channel visibility and increased sales of major products

**Dep. store : Differentiated brand power resulted in gained M/S and reinforced channel leadership**

- M/S continued to increase backed by solid same store sales growth of major brands such as Sulwhasoo, Hera and Primera

- Achieved profitable growth behind by efficient stores management and reinforced digital communication

**Travel retail : Continued strong growth on the back of increased sales to foreign travelers**

- Robust growth delivered by the surge in purchase amount of Chinese customers(+170% yoy)

- Strengthened brand portfolio through increased M/S of major brands such as Sulwhasoo, Laneige, Hera and IOPE

## Premium

**Specialty store : Continued robust growth backed by reinforced competitiveness of products, channel and improved customer service**

- Increased same store sales on the back of strong performance of major brands such as IOPE, Hanyul, Laneige and Mamonde

- Enhanced stores competitiveness through innovation of products and customer service, New customers and members of Aritaum continued to increase

**Digital : Strong growth behind by strengthened brand power and diversified product categories**

- Enhanced awareness of TV-shopping exclusive brand, Verite and increased sales of Mamonde resulted in strong growth

- Strong sales growth across all channels behind by increased portion of prime-time broadcasts and exposure to major online malls

- Balanced sales growth delivered by increased sales in skin care categories as well as cushion category

## Sales



## Operating Profit



## Mass

Decreased sales due to impact of weak performance of hypermarket channels, Expanded premium business backed by strong sales of cosmetic category

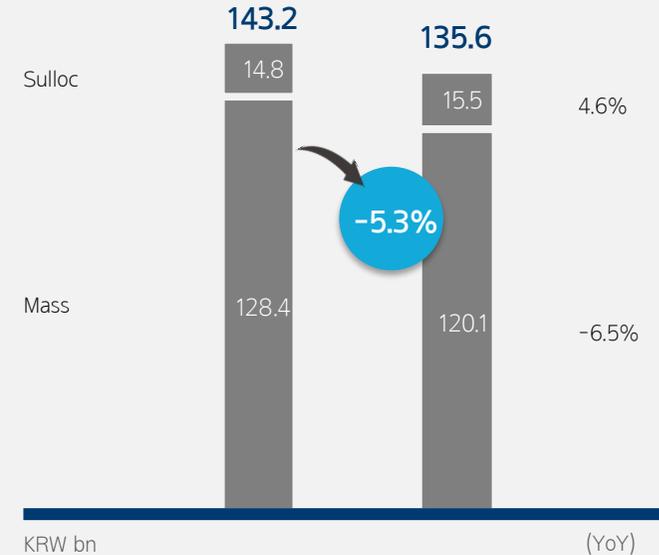
- Increased sales from functional hair care products such as hair tonic and hair colorants, Decreased sales from cleansing category
- Strengthened market leadership in major categories (hair cleansing, cleanser, moisturizing, body, etc.)
- Weakened sales and OP due to sales recognition timing difference of Chuseok gift sets

## Sulloc

Continues healthy growth backed by premiumization of OSULLOC brand

- Expanded contribution of premium business (Tea house, Dep. Store, OSULLOC.com) delivered by enhanced brand awareness
- Continued quality growth by profitability improvement of Tea house and Dep. Store channels and efficient cost management

## Sales



## Operating Profit



## Growth markets

### China: Profitable growth delivered by enhanced brand power (RMB+51%YoY)

- Sulwhasoo & Innisfree: Robust sales growth delivered by new store openings and solid same store sales growth
- Laneige: Continued solid growth within Dep. store and Ecommerce channels behind by strengthened digital marketing and increased sales of hit products
- Mamonde: Continued efforts to reinforce brand competitiveness through realignment of distribution channels and store renovation

### Asia(ex China & Japan): Profitable growth backed by diversified distribution channel and strong same store sales growth

- Maintained profits on the back of strong same store sales of major brands such as Sulwhasoo, Laneige and Innisfree and efficient cost management
- Reinforced brand image through \*FSS and increased sales of hit products resulted in strong growth
- Diversified channel portfolio(Sephora, Digital, etc..) and strengthened mobile communication enabled better access to customers

## Developed markets

### US: Quality growth backed by robust sales growth across all channels

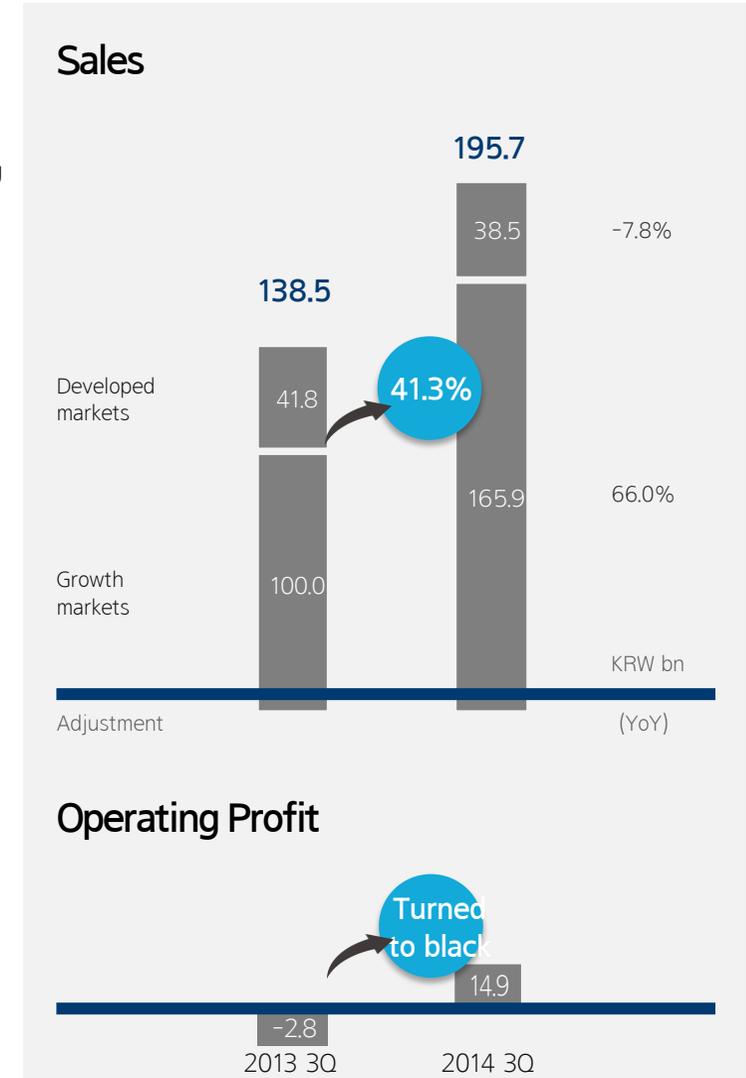
- Strong sales growth of AMOREPACIFIC within high-end Dep. Stores
- Increased sales of major brands such as IOPE and Laneige within \*Aritaum and Target channels

### France: Despite decreased sales caused by slowdown in European markets and weakened export sales, losses decreased on the back of efficient cost management

### Japan: Decreased sales due to realignment of brand and channel portfolio

- Continued efforts for qualitative growth such as shutdown of non-performing AP counters and readjustment of business district of Etude

\* FSS = Free standing store  
\* Aritaum = Amore shop



## Income Statement

KRW bn

	2013 3Q		2014 3Q	
Sales	792.8	100.0%	996.7	100.0%
Gross profit	546.3	68.9%	722.6	72.5%
SG&A expenses	456.9	57.6%	574.9	57.7%
Operating profit	89.4	11.3%	147.7	14.8%
Non-operating profit/expenses	(1.7)		(4.9)	
Profit before tax	87.7	11.1%	142.8	14.3%
Consolidated net income	65.6	8.3%	105.5	10.6%

## Statements of Financial Position

KRW bn

	2013.12	2014.09
	Assets	3,401.8
Current assets	967.5	1,202.4
Non-current assets	2,434.3	2,555.2
Liabilities	833.7	908.9
Current liabilities	542.7	573.4
Non-current liabilities	291.0	335.5
Shareholder's Equity	2,568.1	2,848.7
Capital stock	34.5	34.5
Additional paid-in capital	712.7	712.7
Capital surplus	7.8	7.8
Other components of equity	(1.8)	(11.0)
Accumulated other comprehensive income	(14.0)	(19.2)
Retained earnings	1,815.3	2,104.8
Non-controlling interest	13.7	19.1

\* 2013 3Q SG&A and OP adjusted due to the release of a new accounting standard on the recognition timing of the tax expense.